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TO RUEHC/SECSTATE WASHDC PRIORITY 8155
INFO RULSDMK/DEPT OF TRANSPORTATION WASHDC
RHMFIUU/HQ USSOUTHCOM MIAMI FL
RUEKJCS/SECDEF WASHDC
RUEANHA/FAA NATIONAL HQ WASHDC
RUEAYVF/FAA MIAMI ARTCC MIAMI FL
RUEWMFU/TSA HQ WASHINGTON DC
RUEHRI/AMCONSUL RIO DE JANEIRO 3896
RUEHSO/AMCONSUL SAO PAULO 9254
RUEHRG/AMCONSUL RECIFE 6265
RUEHBU/AMEMBASSY BUENOS AIRES 4597
RUEHSG/AMEMBASSY SANTIAGO 6096
RUEHMN/AMEMBASSY MONTEVIDEO 6755
RUEHAC/AMEMBASSY ASUNCION 5948
RUEHPE/AMEMBASSY LIMA 3363
RUEHBO/AMEMBASSY BOGOTA 4112
RUEHCV/AMEMBASSY CARACAS 3608
RUEHLP/AMEMBASSY LA PAZ 5171
RUEHQT/AMEMBASSY QUITO 2137
RUEHPO/AMEMBASSY PARAMARIBO 1249
RUCPDOG/USDOC WASHDC

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SIPDIS

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STATE FOR EB/TRA: JEFF HORWITZ, JOEL REIFMAN
TSA FOR VICKI REEDER, SUSAN HASMAN

SIPDIS
FAA FOR C. TERE FRANCESCHI, MAYTE ASHBY
DEPT OF TRANSPORTATION FOR BRIAN HEDBERG

E.O. 12958: N/A
TAGS: [EAIR](#) [OTRA](#) [ECON](#) [BR](#)
SUBJECT: AMBASSADOR LOBBIES MINISTER OF TOURISM AND CIVAIR
REGULATORS FOR INCREASED FREQUENCIES TO NORTHEAST BRAZIL

11. (SBU) Summary: On February 13, Ambassador Sobel, EconCouns and Civair Officer met with Minister of Tourism Walfrido dos Mares Guia Neto, and National Civil Aviation Agency Director-President, Milton Sergio Silveira Zuanazzi, to discuss flight frequency issues and tourism development in Brazil, particularly in the underserved and underdeveloped Northeast. Per Embassy's contacts with US air carriers operating in Brazil, these airlines seek to expand their routes, fairly aggressively in the case of carriers with Miami hubs, though more cautiously for those with other US departure points. Discussion with the Minister and ANAC President focused on the possibility of raising the current 105-slots-per-week frequency ceiling and the GOB's desire to attract US investment, especially in the travel and hospitality industries. This cordial meeting will be followed up with individual meetings by the Ambassador with airlines flying to Brazil from the US, as well as with interested US hotel chain operators, to discuss expansion and investment opportunities in Brazil. End Summary.

12. (U) The US carriers flying to Brazil-American, United, Delta, and Continental-have fully exhausted their collective allotted 105 frequencies under the bilateral civair agreement. However, given the recent bankruptcy of Varig-and before it, Vasp and Transbrasil-Brazil is currently operating only 28 of its 105 frequencies, fewer than 27% of its allotted capacity under the agreement. Key Brazilian airlines such as TAM and Gol are struggling to deal with recent crises in the domestic market, and lack aircraft to devote to long-haul international routes. This has drastically reduced the number of international flights to and from the US. The Ambassador stressed the myriad beautiful locations in Brazil that American tourists should and would see, if travel to and within the country were made easier and not centered on the south of

Brazil. Miami would be just four hours from Brazil's Northeast by air. Instead, flights currently are concentrated in capacity-plagued Sao Paulo airports and/or Rio de Janeiro.

13. (U) The Minister agreed with the Ambassador's assessment, and added that it is no longer just Portuguese-speaking Europeans who are interested in exploring the Northeast; Eastern Europeans are now arriving in greater numbers. The Minister stated that Sao Paulo really is the problem right now-Congonhas, in particular (Sao Paulo's domestic airport) is operating at over-capacity and with few opportunities for expansion of flights. The Minister made it clear that if Brazil were to allow US carriers increased frequencies under a renegotiated bilateral agreement, such an accord would not allow US airlines to unilaterally expand service to Sao Paulo, either Congonhas or Guarulhos, the city's international airport. (Comment: Congonhas Airport is also beset with infrastructure problems, such as excess rubber on the runway, which causes aircraft skidding in periods of heavy rain. The runways, therefore, are subject to shutdown at any given moment and there is no prospect of getting rubber removal equipment in for at least another few months. Also, a third runway due to be constructed to help alleviate the situation will not be ready for "at least another two years," according to the Minister. End comment.)

14. (SBU) The Ambassador stressed the idea that expanded air links would foster hemispheric integration; the positive aspects of liberalizing our bilateral civil air regime; and that this could be a win-win situation for both countries. The Minister agreed, producing a hefty report written this past year and recently released in conjunction with Zuanazzi entitled "Programa de Integracao Fisica da America do Sul: Modulo Aereo--Foco Turismo" ("South American Physical Integration Program: Air Module--Tourism Focus"), which he noted was presented to President Lula in a three-hour explanatory session. Several hundred pages in length,

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the report details international air traffic within South America; between South America and North America; between South America and Europe; and between South and Central America. Based on an IDB study, it looks at the "post-Varig crisis" and suggests, among other things, granting fifth and even sixth freedoms to selected countries. Currently, the countries mentioned are all on the South American continent, but the report nebulously refers to "the north" for fifth freedom and "the south" for sixth freedom concessions.

15. (SBU) This was not the Ambassador's first meeting with the Minister, but it was his first opportunity to meet with Zuanazzi. Zuanazzi appears to share a warm, yet somewhat deferential relationship with the Minister, having previously served as his chief of staff and having been nominated by Mares to head the newly created ANAC in late 2005. Zuanazzi commenced his term a little less than a year ago, in March 2006.

16. (SBU) Comment: While traditionally Brazil has prized the principle of reciprocity, post believes that the lure of greater US tourism and investment could well entice the GOB into offering us increased frequencies, especially for flights to the Northeast. Now that this issue is on the table, it could comprise part of a positive agenda to be considered by Presidents Bush and Lula at their upcoming meetings in March. End comment.

SOBEL